

**EPF Progress Report**  
**During the Period From January 2007 to June 2007**

## **Introduction**

### ***Purpose of Establishing the EPF***

The Environmental Protection Fund (EPF) was established according to the Environmental law no. 4 from 1994.

The EPF is the public funding mechanism dedicated to stimulate investments in sustainable environmental projects, to increase compliance with Law no. 4, and to mobilize private and public interest in addressing Egypt's growing environmental challenges.

### ***Objective of the Progress Report***

1. Describing the steps which were carried out by the EPF to follow up on the recommendations of the Joint Sector Review which was undertaken for the Environmental Sector Programme ESP during February 2007. The steps included the development of a detailed functioning work plan, operational manual for the EPF and setting the EPF organizational structure. The steps were closely supported by the ESP. The progress report aims at reporting on the progress achieved during the first half of the year 2007
2. Highlighting the major findings and recommendations of the Fund Management Committee (FMC) which was held on 10/2/2007.

### ***Reporting Period***

The progress report in hand covers the period from 1/1/2007 to 30/6/2007.

# Chapter 1

## Review on ESP and EPF activities

ESP has extensively supported EPF starting January 2007. EPF has taken steps towards improving its internal set up moving towards more independency and aiming at increasing the financing activity of EPF considerably.

ESP/PMU was merged with the EPF starting January 2007. PMU staff was placed with the EPF staff. The merge is done physically and technically due to the daily contact between the staff. Staff has benefited from the ESP previous experience in dealing with projects implementation and daily processing of documents as well as management related activities.

### *1- The Technical and Administrative Framework:*

EPF received support from the ESP programme after the merge with the Programme Management Unit (PMU).

ESP has supported EPF in the development of a number of working documents such as EPF Business Plan, EPF Operational manual, EPF Operational plan for 2007, EPF departments Work Plans and the EPF half yearly progress report.

The process carried out by the ESP during the development of the documents was through daily meetings with the EPF manager and staff. Extensive discussions took place and comments have been incorporated in the working documents.

#### 1.1 EPF Business Plan outlines

EPF business plan is a strategic framework for EPF scope of work for the years 2007-2010. The Business Plan outlines the strategic vision and mission of the fund in order to stimulate environmental investment for the coming 3 years. The EPF should be seen as an attractive revolving fund providing grants, loans with low interest rate for borrowers as well as other mechanisms which are described in the plan.

The Business Plan lists the broad lines of the Environmental challenges as per the National Environmental action plan NEAP and the priority areas which need focus from EPF.

The Business plan describes the organizational structure of the EPF. The Fund Management Committee is the highest authority responsible for formulating the fund policy, authorizing budget, revenues and plans.

The Business plan also describes the various departments of the EPF, their roles and key performance indicators. The plan also describes the human resources development and the training needs for the current EPF staff.

A balanced score card was developed setting the strategic targets and indicators for EPF till 2009. A simple profit and loss budget was developed within the EPF business plan illustrating the various sources of revenues and expenditures and a projection till end of 2009. An implementation plan with milestones was developed showing major activities for the EPF till 2009.

Some key financial figures from the business plan are:

<b>Year (in million L.E)</b>	<b>2007/2008</b>	<b>2008/2009</b>	<b>2009/2010</b>
Expected Revenues	90,8	90,1	99,6
Expected Expenditures	102,9	90,3	77,7

### **1.2 EPF Operational Manual outlines**

The EPF operational manual addresses the institutional and organizational frameworks defining the mandate and activities of the EPF.

The EPF operational manual outlines the Fund's overall strategy, objectives and principles and establishes the general guidelines for the Fund's expense budget and revenue sources. Moreover the manual presents the Fund's Competitive Project Program (CPP), which utilizes several disbursement mechanisms to provide financial support to environmental initiatives. A description of each mechanism is provided. The manual describes the Fund's internal and external management structures and the role of the Fund Management committee FMC and the members. The manual describes the role of the EPF staff and their job descriptions.

The manual also describes the project cycle management procedures and models contracts between EPF and the bank, EPF and project holders.

The manual includes the EPF business plan as well as the annual operating plan. A draft EPF Operational Manual developed in July 2007 is ready to be approved by the coming FMC.

### **1.3 EPF Annual Operating Plan outlines**

The EPF Annual Operating Plan is considered a public document that can be obtained from the EPF by interested parties. The EPF annual operating plan which identifies the Fund's environmental priorities and mechanisms for the year, examples for the projects applying for funding to act guidance for the parties requesting funding, the evaluation criteria of the projects, the application procedures and the project cycle schedule for the year.

***The EPF environmental priorities for 2007-2008*** include the following areas: noting that the EPF encourages projects which adopt cleaner production methods and recycling.

- Air pollution control
- Water quality
- Solid waste management

*The EPF mechanisms for 2007-2008* includes;

- 1- Grants which targets governorates, NGOs, universities and research centers,
- 2- Soft Loans mechanism which targets the private sector provided that the applying organization is legally established, and demonstrates seriousness, sound reputation, and capacity for project execution and long term project sustainability and
- 3- Interest rate subsidies

The EPF Annual Operating Plan for 2007 has been developed using the ESP support is attached to the EPF Operating Manual.

### **1.4 General Capacity Building Activities**

Capacity building activities are provided through the ESP for the EPF staff such as assistance in communication activities through promotion of the EPF in exhibitions, assistance in developing detailed department work plan, training activities, assistance in developing the Carbon Fund Unit operational plan, assistance in developing clear job descriptions for the staff for the various departments (Projects / Financial / Communication / Carbon Unit / Administration) and assistance in revenue enhancement sources.

Support was also provided for the development of the EPF filing system as well as the establishment of a separate electronic filing system and financial system. The financial system is considered as a "shadow accounting system" aiming at more independency and transparency for the EPF in order to be able to meet requirements of various funding institutions. The shadow accounting system is in principle the ESP accounting system which enable the EPF management to track and document the disbursement of the fund.

In order to fulfill the capacity building activities, equipment were needed. The ESP provided equipment support such as computers, communication network (information/telephone).

### **1.5 Data Base for financial monitoring**

ESP has cooperated with the EPF in developing a financial database for the projects which will be funded according to the approved plan starting from 2007/2008. Coordination was carried out with the ESP regarding the EPF participation in the review of the projects implemented through Danish funding in Beni-Suef and Aswan governorates as part of a practical training on the review and evaluation processes. The Data base can be further developed into a technical Data base able to generate reports documenting environmental benefits from implementing projects.

### **1.6 Training Plan**

The ESP coordinated with the EPF to develop a Training plan which includes practical training and lectures on financial management and technical evaluation of the projects. Implementation of the training is the focus of ESP in the coming year 2008.

## ***2- The Legislative Framework***

The legislative framework of the EPF is in the process of being modified. A proposal for modifying the articles related to the EPF in the law 4/94 was developed under supervision from legal consultants from the Ministry of Justice so as to provide the EPF with some flexibility to achieve its goals. The proposal was approved internally by EEAA. The proposal for the modified law was submitted to the people assembly for approval. The proposal includes some changes moving EPF towards more independency, raising the level of the decision making in the Fund Management Committee to a ministerial level and adding new revenue sources. The proposal of the modified law is still pending in the people assembly for approval.

The EPF has developed a modified financial regulations proposal to be approved and effective immediately after the approval of the modified law. The financial regulations were amended to ensure the enforcement of the Fund's available mechanisms, namely the Grants, Soft Loans, Interest Rate Subsidy and Shareholding; in addition to identifying the beneficiaries from each mechanism.

The EPF has extensively coordinated with the Ministry of Finance and the Ministry of Economic Development so as to add a project disbursement budget for the EPF starting from the fiscal year 2007/2008 with total sum of 40 million Egyptian Pounds.

The 40 million Egyptian Pounds are allocated from the Fund's resources in the Central Bank of Egypt (28 million for Soft Loans and 12 million for Grants) and used in funding the environmental projects which were approved to be funded through the EPF budget.

According to the modified law 4, The FMC is appointed by the Prime Minister. The Fund Management Committee (FMC) is composed of nine members and chaired by the Minister of State for Environmental Affairs.

Members include four representatives of EEAA's senior management (Minister of State for Environmental Affairs, CEO of EEAA, head of a department and EPF manager as FMC executive Officer) and five external professional experts (representatives from ministry of finance, ministry of economic development, ministry of local administration, an NGO and from legal administration).

Observers can be invited but they will have no right to vote.

### ***3- Fund Management Committee***

The ESP is following up with the EPF to hold the FMC on a regular basis. The FMC meetings aim at approving the fund's overall policies and strategies.

The FMC is considered the higher authority that is responsible for approving the Fund's overall policies and strategies in accordance with the NEAP. It is mainly responsible for approving the EPF annual budget and work plans of each department. The FMC targets a meeting every 2 months. This is mainly to assure continuous and timely processing of applications, and more strategic and long-term issues on the agenda will be spread over the year.

An FMC was held on 10/2/2007. The FMC agenda included the following main issues:

#### ***1- EPF Activity Report during 2006***

The Activity Report included the status of EPF revenues throughout 2004/2005 and first half of 2006/2007. The report shows fluctuation in the revenues level over the years due to the compensations coming from ship accidents or fines imposed on establishments violating the environmental law no.4 for 1994. The report also illustrated the status of the previous projects implemented by the EPF.

The FMC approved the Activity Report and recommended that the Fund should work on developing new revenue sources such as the environmental stamps so as to stabilize the revenue level and achieve sustainability.

#### ***2- EPF Business Plan***

The FMC endorsed the EPF Business Plan and recommended that it should be developed further to act as a long term strategic plan and to include more detailed aspects such as job descriptions, identification of revenue sources, budget for recurrent expenditures.

#### ***3- EPF modified organizational structure***

The EPF organizational structure was modified after merging with the Programme Management Unit within the ESP as part of the support provided from the Danish side to the EPF. This modified organizational structure aims at ensuring the sustainability of the Fund in general and especially after the phasing out of the Danish support. The new structure includes detailed description of each department, role and responsibilities of each department and the Carbon Fund Unit which is

established to handle the revenues generated from the sale of the Carbon Emission Reductions (CERs) and fund the implementation of environmental projects. The FMC approved the newly modified organizational structure and appraised the efforts exerted in setting such a structure that will enable the Fund to carry out its work more efficiently.

#### ***4- Proposed Financial System***

A proposed financial system was presented so as to manage the funds provided through the Grants and Soft Loans mechanisms. An agreement was prepared to be signed with the participating banks and the Central bank of Egypt. The EPF coordinated with the Ministry of Finance in order to add an investment budget within the EPF overall budget.

FMC approved the financial system for the EPF mechanisms and recommended to modify the EPF contribution in the Soft Loans mechanism to become 1:1.

#### ***5- Carbon Fund Unit working mechanism***

The EPF prepared a mechanism for the Carbon Fund Unit. Coordination was carried out with the Central Bank of Egypt as well as the National Bank of Egypt to study the possibility of opening a private bank account to manage the projects which will be funded through the Carbon Fund Unit.

The FMC approved the CFU working mechanism.

#### ***6- Communication and Projects annual Plan for 2007/2008***

The EPF communication plan included many activities to promote the EPF and strengthen its image among civil community as well as local and international organizations, from which are the organization of workshops for interested parties, advertisements in mass media, update of the EPF website and preparation of the EPF annual report.

The Projects plan presented the preliminary studies of the projects submitted to the EPF for funding whether through the Grants or the Soft Loans mechanisms. The EPF as well as selected governorates will be given funding throughout 2007/2008 in accordance with the GEAP such as Aswan, Beni-suef, Dakahleya, and South of Sinai. The plan also included the provision medical incinerators, solid wastes management and the replacement of 100 taxies operating with gasoline with others operating with natural gas as a pilot project in cooperation with EEAA. The plan also included industrial projects, which could not be funded by the revolving fund in the ACI, and suggested to be funded by the EPF through the Soft Loans mechanisms.

#### ***Presentation for the Minister***

A presentation was carried out for the Minister of State for Environmental Affairs based on H.E recommendation regarding the detailed studies of the projects requesting funding from the EPF. The Minister is not chairing the FMC yet as the law has not been modify yet and still pending in the people assembly.

## Chapter 2

### EPF current financial status

#### Introduction:-

The following is a brief of the EPF flow of fund:-

The EPF revenues are collected from different revenues sources as described in the EPF revenues sources table below and deposited on monthly basis in two bank accounts at Central Bank of Egypt (CBE) – one account in LE and the other in USD.

Revenues for EPF are collecting by EEAA staff in protectorates, legal and financial department and RBO staff. Other external parties also participate in collecting revenues such as EMU staff and environmental police.

In the past money was disbursed on a grants basis, the disbursement was done on case by case basis. Disbursing the money through the mechanism of CBE will lead to procedures which sometimes could lead to delay in disbursing and lose of creditability especially if EPF deals with loans and private sector clients.

#### Carbon Fund Unit.

The carbon fund unit manages to open a sub account in National Bank of Egypt (NBE) under the umbrella of EPAP projects, the total amount received in this accounts was **86,625 Euro** already deposited in the NBE account on 31/5/2007.

The account was opened in commercial bank as pilot project to demonstrate that financial procedures can be enhanced.

The following table shows the bank balance of the EPF accounts in the CBE

Statement	30/6/2005	30/6/2006	30/4/2007
Balance in L.E at Central Bank Egypt	49,187,275	63,652,971	70,878,060
Balance in L.E (US \$ account)	91,418,954	99,956,818	171,944,023
L.E Total	140,606,22	163,609,789	242,789,083

## EPF Revenue Sources

The EPF revenue sources are illustrated in the law 4/94 and are as follows;

Item	Total revenues on 30/6/2005	Total revenues on 30/6/2006	Total revenues on 30/4/2007
1-Budget State	0	0	0
2-Fines and penalties	26,116,481	6,063,710	59,298,549
3-Donations	73,776	20,002,430	0
4-Protectorates	17,788,449	19,587,148	14,564,900
5-Experimental Environmental Projects	443,534	330,371	1,150,064
6-Hunting fees	51,545	31,956	23,404
7-Environmental fairs	282,934	0	0
8-Bank Interest	0	3,750,603	4,677,523
9-Other	2,502,922	289,182	343,518
<b>Total</b>	<b>47,259,641</b>	<b>50,055,399</b>	<b>80,057,958</b>

The following is an explanation of different types of revenues sources for EPF

1. **State support for the budget:** Since the EPF was established, the state did not allocate any amounts to support the EPF budget.
2. **Fines and compensations:** amounts ruled and stated by law or the amounts agreed upon as a result of environmental damages. This item varies from one year to another according to environmental accidents occurring throughout the year.
3. **Donations and Grants:** amounts donated by parties such as donors and individuals interested in improving the environmental conditions in Egypt and which require EEAA Board of Directors approval.
4. **Natural Protectorates revenues:** all incoming amounts from the natural protectorates sector such as entrance fees, usage fees, exploitation fees and any other amounts resulting from any activity occurring within the protectorate. This item is considered as one of the relatively stable revenues.
5. **Experimental projects:** projects revenues which are implemented by EEAA or the EPF. These projects are represented in the revenues incoming from wastewater treatment stations for Nile boats, installments collected from the sell of rice straw compressors and the sell of the organic fertilizer (EM).
6. **License Fees (Hunting Fees):** amounts generated from issuing some licenses such as the hunting fees in some governorates.
7. **Environmental fairs:** - this is the fees that were collected when the EEAA or the Ministry of Environmental Affaires is organizing environmental fairs.
8. **Bank Interest:** - revenues generated from EPF money sitting in the BE.
9. **Others:** - amounts generated from any other resources.

An analysis of the revenue progress has been carried out by EPF director. The main indicators are as following:-

- The penalties and compensations represent approximately **55%** of EPF total revenues during Fiscal Year FY 2004-2005, and **52 %** during FY 2005-2006 and

approximately **80 %** for the **first nine months** of FY 2006-2007. This means that EPF resources rely on this source which should decrease by time due to the ascending indicator of compliance with environmental requirements for economic activities.

- The protectorate revenues represent about **37%** of EPF total revenue for the FY 2004-2005. However, while it represents about **39%** of total EPF total revenue for the FY 2005-2006. Till 30-4-2007 the total amount received from the protectorates represents only **17%**.
- In general EPF annual revenues fluctuated, even though the current first half of the FY indicators reflects an increase in the revenues.  
Therefore the EPF is currently looking for new revenue sources to make its revenues more sustainable for example: environmental stamps which were proposed as a new revenue source in the modified law for environment, green taxation etc.

The fluctuation in revenue also warrant that the EPF works towards understanding the mechanisms behind the revenue sources better in order to predict developments, and also that the EPF works towards a more conscious use of strategic budgets to make longer term plans, including the provision for maintaining sufficient reserve buffers that can mitigate the effects of short term fluctuations in revenue.

### **EPF Expenses budget**

The general guidelines for the EPF expense budget are described in the EPF operational manual and are as follows:

The total budget amount will represent the amount of money to be spent for the year. *A reserve account* will be maintained to address environmental disasters and pollution from unknown sources. The amount of the reserve account will have a ceiling of 2 % from the Capital of the EPF in the Central Bank of Egypt.

Expenses allocations will take place in the form of:

- **The Competitive Project Program CPP** which should be equal to 60 % of the annual expected revenue of the EPF. The disbursement mechanisms vary and can include Grants, Soft loans, Loan guarantees and Interest rate subsidies. It is from this programme that EPF receives applications developed by governorates, industries, NGOs, universities etc...
- **The Support for EEAA** activities and infrastructure should not exceed 25 % of the annual expected revenue of the EPF. The disbursement mechanism should be the Tender Method.
- **EPF administrative and operational cost** which are equal to 15 % of the annual expected revenue of the EPF. Administrative and operational costs should cover EPF staff salaries, conduction of workshops, training of staff, development of new areas according to Ministry policies etc....

The following table shows the actual expenses for the FY 2004/2005, FY 2005/2006 and till 30-4-2007 respectively.

The source of these figures is EEAA records.

### Actual expenses in LE

Description	FY 2004/2005	FY 2005/2006	FY 2006/2007
Competitive Project Programme	171,200	38,500	2,093,434
Support for EEAA	16,324,316	27,073,710	29,252,051
EPF administrative and operational cost	239,084	1,009,463	1,171,254
<b>Total</b>	<b>16,734,600</b>	<b>28,121,673</b>	<b>32,516,739</b>

As it can be seen it has been difficult to follow the overall disbursement budget according to the Operational Manual which stipulate 60% for CPP, 25% for EEAA Infra Structure Projects and 15% for EPF Administrative and Operational cost.

However, ESP support aim to follow the overall procedures for the operation of the fund and a new budget has been developed.

The following table shows the total expected revenue and the estimated expenses for the FY 2007/2008, FY 2008/2009 and FY 2009/ 2010 respectively

Description	FY 2007/2008	FY2008/2009	FY2009/2010
Revenues	90,790,000	90,140,000	99,606,500
<b>Expenditures</b>			
CPP Grants	12,000,000	12,000,000	16,500,000
CPP Loans	28,000,000	20,000,000	35,000,000
ACI – EMG Fund	31,000,000	29,000,000	0
EEAA	25,744,667	22,584,667	19,418,000
EPF	6,234,000	6,754,000	6,754,000
<b>Total Expenditures</b>	<b>102,978,667</b>	<b>90,338,667</b>	<b>77,672,000</b>

### Revenues

The main source of revenues is donations. ESP supports with 31 Million LE for demonstrations project in governorates and in industries. Protectorates is the second largest contributor with app. 20 Million LE and new revenue sources are believed to contribute with another 10 million.

Receiving funds for donors require transparency and independency. EPF is moving towards both although the greatest challenge seems to be in achieving independency as Ministry of Finance still can overrule FMC. If EPF not obtain transparency and independency it must relay even more on new revenue sources which calls for the development of a revenue enhancement plan. The Polish ECO Fund might serve as and inspiration.

More details regarding budget and expenditures are available in Annex 2 attached. **(Business plan Budget).**

### **CPP expenditures**

EPF has received 22 projects identification and 12 is now in the process of developing a proper project description, but in order to disburse 40 million in the financial year sufficient project applications is necessary. One of the major challenges will be how to receive proper applications. According to the Law EPF should arrange training session for potential applicants but according to ESP experience “one day workshops” are not enough. Substantial support is necessary and one way could be to upgrade and enable all environmental management units (EMU) in governorates to develop Governmental Environmental Action Plans (GEAP) including proper project description.

### **EEAA Infrastructure Projects**

As it can be seen the main part is now allocate for projects like support to oil pollution, experimental projects, protectorates etc. What need to be done is to follow the Tender Method as describe in the Operational Manual.

### **EPF administrative and operational cost**

Administrative and operational cost has increased. The main reason is not increase in staff salaries but due to develop new “projects areas” which can be supported. For instance, during the newly conducted conference, Environment 2007, one of the recommendations was how use of solar energy could be improve, another example is the Black Cloud which still has a high priority, but for the time being the impact of the black cloud is still high, This indicate that new approaches need to be developed which is not done without any cost. As indicated before another challenge for EPF is how to receive proper applications, one way could be to continue the ESP support to EMU in all governorates thereby securing proper applications to EPF. Again this is not without any cost and could involve support for consultancy companies.

## Chapter 3

### EPF Projects Status

**Table (3.1)**  
**EPF Projects status from 2000-2007**

<b>Status</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Number of applications received	300	136	60	20	35	65	99	22
Number of Projects agreed upon (Chosen)	4	1	12	2	5	1	15	12
Number of Projects Completed	3	1	11	2	5	1	15	Waiting the decision of FMC during July 2007
Number of Projects under implementation	1	-	1	-	-	-	-	1

Table (3.1) presents the status of environmental projects which were implemented & collected from Year 2000 through the 1<sup>st</sup> Quarter of Year 2007. The following information can be concluded:

The documents received during years from 2000 through 2006 were evaluated to choose what can be funded by the EPF. These values were taken from the EPF employee's records. Most of the application forms sent to EPF are written in a poor way and didn't involve the data & information included in the Project Information Form (PIF) which was distributed to all beneficiaries. All projects agreed to be funded through the EPF must prepare PIF by the beneficiaries and other form which involves the detailed information about project, which is called the Project Application Form (PAF).

During 2000 there were lot of advertisement efforts done through the Egyptian Environmental Policy Program (EPPP) funded by USAID in Newspapers, TV, Radio and sending letters for lot of organization to talk about EPF and the ability of funding projects. The letters were sent to Governorates, Organizations and different parties which can use EPF as an engine for funding environmental projects. This was the reason for receiving 300 applications to EPF in Y 2000.

Unfortunately, the forms which were received to EPF were poorly written during the years from 2000 through 2003. This can be shown clearly from Table (3.1) and if we compare the number of chosen projects to be funded with the total applications received as so: in 2000 the percentage is 1.33 %, in 2001 the percentage is 0.73%, in 2000 the percentage increased due to some efforts for capacity building to 20% and in 2003 the percentage of chosen projects to be funded by EPF is 10%.

Project's forms for 2007 started to arrive to EPF on May 15, 2007 from 7 governorates which had GEAPs before and the private sector. 12 of 22 projects got

the acceptance from the assigned Technical Department of EEAA. These twelve projects will be presented in the upcoming FMC meeting during July 2007.

The projects presented for 2007 are the FIRST ROUND only which means that EPF sent to the governorates which conduct GEAP studies only (7 governorates). Also, the projects chosen to be presented to the FMC are 12 projects out of 22 (so the percentage is 54.5%). This is due to the high level of EMU offices in the governorates which conducted GEAPs already. Noting that ESP and EEAA are preparing GEAPS for other 6 Governorates which can increase the opportunity for funding extra projects in the upcoming FMCs but still 13 governorates have no GEAPs.

If we analyze the data of projects agreed upon by the EPF Project's Department, we can realize some good information. Table (3.2) presents the important information about it as so:

**Table (3.2)**  
**Projects collected in 2007 (1<sup>st</sup> Quarter) to be presented to the FMC**

S.No.	Name of the Project	Cost		
		Org. Share	EPF	Total
1	Switch off 168 taxi to natural gas in Sharm Shekh	12,432,000	840,000	13,272,000
2	Manual rice straw compactors (500)	2,500,000	1,250,000	3,750,000
3	Switch off natural gas to Pottery Kilns	11,250	11,250	22,500
4	Switch off 100 taxi to natural gas in Giza	4,125,000	1,526,250	5,651,250
5	Switch off to natural gas of coal Kilns	5,000,000	2,500,000	7,500,000
6	Truck to the environmental Development Society in BS	30,000	120,000	150,000
7	Land Fill land in Aswan City	1,000,000	1,000,000	2,000,000
8	Land fill in Balana Village/ BS	1,000,000	1,000,000	2,000,000
9	Cleaning in Municipality in Fashn/BS	1,200,000	1,198,000	2,398,000
10	Cleaning in Municipality in Beba/BS	2,000,000	2,210,000	4,210,000
11	Sinatation in Dwoya Village/BS	3,000,000	3,000,000	6,000,000
12	Better life Society in Beba/BS	225,710	525,190	750,900
Total		32,523,960	15,180,690	47,704,650

Table (3.2) presents the status of the environmental projects which were accepted to be raised to the upcoming FMC after reviewing its forms and after having the acceptance of the assigned technical department of EEAA about it. It can be concluded that the total cost of projects to be funded are 47,704,650 LE and the organizations will share by 32,523,960 LE (68.17%) and EPF share will be 15,180,690 LE (31.83%). EMG Component will share with some of Aswan and Beni Suef Projects with the governorates share.

Also, it can be concluded that the number of projects which were chosen to be presented to the FMC are from Aswan and Beni Suef, 7 projects out of 12 (58.3%) and this is due to the high level of capacity building gained during the last few years in the two governorates through EMG which is a component of ESP. Increasing capacity building will lead to proper documentation for projects applications in other governorates which have not developed their GEAPs yet.

The Project's Department team conducted several meetings to agree upon the policy of funding environmental projects through EPF, and it was agreed that all projects which will be supported by EPF as GRANTS will have co-funding between EPF and the beneficiaries as CASH and not IN-KIND. Also, it was agreed –according to EPF

organization- that EPF can offer consultancy with a maximum value of 15% to be paid by the beneficiaries (from any consulting firm agreed upon by the EPF & the beneficiary side as Universities, Research Institutes or Consulting Company). EPF can use EMG Component as a consultancy firm for projects which will be implemented in Aswan & Beni Suef till the end of the ESP program.

The Project's Department team recommended that EPF can choose category of projects to be funded by EPF which EMG has experience in (as SWM, Hazard Wastes, Air Pollution, Sanitation Projects and others). Of course, EPF can fund other types of projects after hiring the suitable consulting firm through the official ways.

Also, EPF Project's Department will follow-up all tender documents for implementation of projects using the Egyptian Law and can review it through the EEAA Financial & Administration Sector.

EPF Project's Department team recommended raising the capacity of EMUs team especially the governorates which didn't conduct GEAPs (13 governorates), noting that SEAM Project conducted 5 GEAPs (Demitta, Mansura, Sohag, Quena and South Sinai), ESP conducted 2 GEAPs (Aswan and Beni Suef) and already preparing 6 GEAPs for another 6 governorates. EPF can support financially the technical assistance to the rest of EMUs through the EMU General Department in EEAA which so far is supported by ESP.

## Chapter 4

### Work Plans versus Activities From 1/1/2007 to 30/6/2007

The EPF is composed of four departments; Projects department, Financial department, Communication department and Carbon Fund Unit. The EPF is supported by some administrative staff helping with secretarial work.

This Chapter deals with department main activities plan and reporting on the progress of the activities.

#### 1. Communication Department

The Communication department plan was formulated to promote the EPF role and its funding mechanisms in order to attract the local and international communities to invest in Environment.

The Communication department has contributed in the Enviro 2007 exhibition explaining for projects applicants the EPF various disbursement mechanisms. 350 Information Kit were distributed.

The Communication department has contributed in publishing approximately 15 articles in the local news papers and magazines about the EPF and the projects which are being implemented. The articles have contributed in raising the community awareness about the EPF and its activities.

The Communication department is regularly updating the EPF web site [www.eea.gov.eg/epf](http://www.eea.gov.eg/epf) and inserting news and new documents to ensure transparency and effectiveness.

The Communication department contributed in workshops promoting the EPF strategy in some governorates (Greater Cairo and Mansoura) as well as the industrial sector through the Environmental Compliance Office ECO and the Environmental Management Units EMUs.

The Communication department has coordinated with the International expert to hold training sessions on "investment and finance" for the EPF staff.

The Communication department has developed the six months progress report illustrating the EPF activities for the period January 2007 till end of June 2007.

#### 2. Project Department

The Project Department plan was developed according to the Environmental priorities of the year. The department should receive and evaluate project proposals according to the criteria developed in the Annual Operating plan. The role of EPF Project's Department is to manage the fund and implementation procedures of the environmental projects from the management point of view and not from the technical point of view.

Lot of efforts were done in the EPF Project's Department starting by organizing it in a proper way through taking care of the job descriptions, assigning tasks for different employees in the department to take care of the project's reviewing and monitoring (Governorates projects and Private Sector projects). The team of EPF Project's Department reviewed the filing system and implements important modifications which can be concentrated in cleaning up the old stuff and store the old applications

in a store assigned by EEAA outside the building. The effort includes re-organizing the documentation in files –for each year- and stores it in a new assigned place. The EPF Project's Department follows the evaluations and recommendations of the Review Team conducted on ESP, and took care for the EPF procedures described in the manuals prepared before through the Egyptian Environmental Policy Program (EEPP) which was funded by USAID. Also, taking care of the methods for identifying the environmental projects, applications used (PIF & PAF) and the project's implementation. This was taken into consideration for the on-going projects as the Taxi Project in Giza (switching 100 taxis to use CNG instead of gasoline) and the slaughtering house in Sherbin/ Mansura Governorate (the last funding portion was paid in 2007). Details of the projects are attached in Annex1.

The EPF Project's Department are taking care of evaluation of the old projects which was funded through EPF from 2000 through 2006 (40 projects as indicated in Table 3.1) in order to review the procedures of its implementation and the lesson learned.

The Department has received 22 project proposals in the 1<sup>st</sup> quarter of 2007. 10 projects have been refused because the PIF Forms prepared were not completed in some of it, and the others need to be completed according to the recommendations of the assigned technical department in EEAA. The 12 projects will be presented to the upcoming FMC meeting which is supposed to be held on 19 July 2007. Upon approval of the FMC, projects implementation should start.

The Project's Department team recommending raising the capacity building of the department through conducting several workshops and training courses.

### 3. Financial Department

The Financial department deals with the EPF Operational Budget. The operational budget for the financial year 2007/2008 and 2008/2009 and 2009/2010 has been finalized and discussed with EPF and ESP management and presented to the international consultant to be presented to the next FMC meeting

One of the Financial department main activities is the financial projects monitoring to make sure that funds are managed and disbursed properly. A database for projects financial monitoring has been developed by the Financial department in order to facilitate projects monitoring. There is a need to agree on a system for the post loan monitoring of projects.

The Financial department has done an extensive effort to smoothen the flow of fund process with the Ministry of Finance (MoF). The EPF was informed orally by the MOF that EPF will be authorized to use 40 million LE out of the capital fund of the EPF bank balances as of 30/5/2007 for project implementation.

The EPF manager asked the MoF to use this money through a commercial bank for an easy process however this request was rejected due to the governmental regulations. EPF does not have an official approval for the use of 40 million LE for projects until now, due to the fact that the Egyptian financial year starts from 1/7/2007 till 30/6/2008. EPF expect to be informed by mid of July 2007.

The other alternative according to EPF manager is to get this money disbursed through Central Bank of Egypt. This will lead to long way of bureaucracy in

disbursing money and losing of credibility especially if we deal with clients on loan basis.

EPF manager intends to subcontract National Bank of Egypt since it is a governmental bank to act as a participating bank.

It is not yet clear whether this will be applied or not therefore we could not draft the mechanism of disbursing money until we got a clear approval from MOF.

EPF manager believes that he can subcontract National Bank of Egypt similar to the case of the taxi projects when they contract with Nasr Bank.

The Navision Accounting system which is used by the ESP is being upgraded to be used for EPF with Arabic interface and according to the chart of account tolerated for EPF. This financial system could be used as shadow system account for EPF.

#### 4. Carbon Fund Unit

The Carbon Fund Unit (CFU) is located within the EPF and was established under the Environmental Pollution Abatement Project II (EPAP) to finance pollution abatement activities and other legitimate sustainable development activities other than those programmed under EPAP II Project. The CFU will function in accordance with Law 4-1994 and any amendments for this law.

Income to the CFU will come from portions of the revenues for the sale to the World Bank and other buyers of Carbon Emission Reductions (CERs) generated under the Kyoto Protocol's Clean Development Mechanism (CDM).

The EPF in cooperation with ESP developed an Operating Plan for the Carbon Fund Unit. A proposed budget for the CFU was developed within the Operating Plan illustrating the expected annual revenues and expenditures till 2010.

The EPF opened a Bank account in the National Bank of Egypt under the name of "Financing Environmental Compliance Projects for Small & Medium Enterprises" so as to receive the Sustainable Development (SD) premiums which will be transferred by the various companies in Egypt. This bank account will be managed by the CFU/EPF independently according to the CFU/EPF's mechanisms.

The EPF submitted the CFU Operating Plan to the World Bank so as to acquire approval and start the transfer of money. The EPF is periodically coordinating with the Climate Change Unit (CCU) within EEAA regarding the companies expected to transfer their SD premiums to the CFU/EPF from which are 5 companies expected in the coming period whereas the World Bank already transferred ONYX share estimated by 85,625 Euros into the CFU/EPF bank account.

An agreement is currently being prepared with the National Bank of Egypt in order to manage the funds which will be provided through the Grants and Soft Loans mechanisms.

## Annex 1

### Overview for Projects areas for 2007/2008

<u>Project</u>	<u>Objective</u>	<u>Cost</u>	<u>Funding Mechanism</u>	<u>Impact of the project</u>
Replacement of 100 old taxies operating with fuel with new ones operating with natural gas	A pilot project that aims at using new cars operating with natural gas instead of gasoline and dispose old cars	1.5 million L.E as interest rate subsidy. 500 thousand L.E as a grant for the installation of natural gas	Interest Rate Subsidy Grants	<b>Environmental Impact:</b> reducing the carbon emissions. <b>Economic Impact:</b> contribution in a new industry represented in disassembling of old cars. <b>Social Impact:</b> increase the taxi drivers income
Provision of 31 medical incinerators for safe disposal of hazardous medical wastes	Safe disposal of hazardous medical wastes in hospitals and clinics	2.7 million L.E 3 million L.E	Grants Soft Loans	<b>Environmental Impact:</b> Safe disposal of hazardous medical wastes. <b>Economic Impact:</b> decrease the cost of wastes disposal. Achieve an economic revenue for the hospital <b>Social Impact:</b> contribute in providing job opportunities for youth
Develop the charcoal production units	Reduce air emissions resulting from the gaseous emissions emitted from the old production method	5 million L.E	Soft Loans	<b>Environmental Impact:</b> reduce air emissions <b>Economic Impact:</b> achieve international standard production of charcoal <b>Social Impact:</b> protect public health
Achieve a Cleaner Production system (ACI component)	Provide a suitable internal working environment for production within factories	13 million L.E	Soft Loans	<b>Environmental Impact:</b> provide a suitable environment for production <b>Economic Impact:</b> reduce production cost and encourage sound usage of available resources <b>Social Impact:</b>

				contribute in providing job opportunities for youth
Collection and compressing agricultural wastes	Prevent burning of agricultural wastes which cause severe air pollution seizures	1.5 million L.E 3.5 million L.E	Grants Soft Loans	<b>Environmental Impact:</b> Prevent burning of agricultural wastes which cause severe air pollution seizures <b>Economic Impact:</b> recycle and reuse agricultural wastes in production <b>Social Impact:</b> contribute in providing job opportunities for youth
Rehabilitation of Aswan Landfill (EMG component)	Safe disposal of solid wastes	2 million L.E	Grants	<b>Environmental Impact:</b> Safe disposal of solid wastes <b>Economic Impact:</b> Reduce the disposal costs of solid wastes <b>Social Impact:</b> contribute in providing job opportunities for youth
Sanitation projects in Beni-Sewif (EMG component)	Reduce water pollution sources	3 million L.E	Grants	<b>Environmental Impact:</b> reduce water pollution <b>Economic Impact:</b> reduce the wastes disposal costs <b>Social Impact:</b> contribute in providing job opportunities for youth
Disposal of cement dust	Recycle cement dust so as to reduce air pollution	2 million L.E	Soft Loans	<b>Environmental Impact:</b> safe disposal of cement dust <b>Economic Impact:</b> production of new products <b>Social Impact:</b> Protect public health
Production of charcoal from rice straw	Prevent burning of agricultural wastes which cause severe air pollution seizures	2.3 million L.E	Soft Loans	<b>Environmental Impact:</b> reduce severe air pollution seizures <b>Economic Impact:</b> reuse agricultural

				wastes in production <b>Social Impact:</b> contribute in providing job opportunities for youth
<b>TOTAL</b>		40 million L.E	9.7 as Grants 1.5 as Interest Rate Subsidy 28.8 as Soft Loans	

**EPF Strategic Budget****PROFIT AND LOSS**

	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>	<u>2006/2007*</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>
<b><u>REVENUES</u></b>							
Budget state	0	0	0	0	0	0	0
Fines and penalties	1,137,160	26,116,481	6,063,710	59,298,549	8,000,000	8,000,000	8,000,000
Donor contribution**	1,016	73,776	20,002,430	0	40,000,000	29,000,000	19,500,000
Protectorates Experimental environment projects	14,126,106	17,788,449	19,587,148	14,564,900	18,000,000	21,000,000	23,000,000
Hunting fees	805,780	443,534	330,371	1,150,064	6,350,000	6,350,000	6,350,000
Hunting fees	51,000	51,545	31,956	23,404	70,000	70,000	70,000
bank interest	0	0	3,750,603	4,677,523	6,000,000	6,000,000	600,000
Stamps			0			5,000,000	5,000,000
Environmental fairs	0	282,934	0	0	1,000,000	1,000,000	1,000,000
Other revenues	115,884	2,502,922	289,182	343,518	390,000	390,000	390,000
Interest from soft loans					980,000	1,330,000	2,096,500
Repayments of soft loans					0	0	5,600,000
New revenue sources	0	0		0	10,000,000	12,000,000	28,000,000
<b>Total revenues</b>	<b>16,236,946</b>	<b>47,259,641</b>	<b>50,055,399</b>	<b>80,057,958</b>	<b>90,790,000</b>	<b>90,140,000</b>	<b>99,606,500</b>
<b><u>EXPENDITURES</u></b>							
<b><u>CPP - Project disbursements</u></b>							
Grants							
- Governorates Program		171,200	38,500	2,093,434	9,000,000	9,000,000	12,000,000
- NGO Program				0	2,500,000	2,500,000	4,000,000
- Universities Program				0	500,000	500,000	500,000
- Protectorates Program				0	0	0	0
<b>Total CPP Grants</b>	<b>0</b>	<b>171,200</b>	<b>38,500</b>	<b>2,093,434</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>16,500,000</b>
<b>Total CPP Soft Loans</b>				<b>0</b>	<b>28,000,000</b>	<b>20,000,000</b>	<b>35,000,000</b>
<b>Total CPP Project Disbursement</b>	<b>4,231,916</b>	<b>171,200</b>	<b>38,500</b>	<b>2,093,434</b>	<b>40,000,000</b>	<b>32,000,000</b>	<b>51,500,000</b>
<b>EMG/ACI Projects</b>					<b>31,000,000</b>	<b>29,000,000</b>	<b>0</b>
<b>Grand Total Project Disbursement</b>	<b>4,231,916</b>	<b>171,200</b>	<b>38,500</b>	<b>2,093,434</b>	<b>71,000,000</b>	<b>61,000,000</b>	<b>51,500,000</b>
<b><u>Support To EEAA</u></b>							
EEAA infrastructure			15,003,745	18,520,794	16,734,034	14,680,033	12,621,700
EEAA infrastructure Project			12,069,965	10,731,257	9,010,633	7,904,633	6,796,300
<b>Total support to EEAA***</b>	<b>11,853,902</b>	<b>16,324,316</b>	<b>27,073,710</b>	<b>29,252,051</b>	<b>25,744,667</b>	<b>22,584,666</b>	<b>19,418,000</b>

<b>Administrative expenditures</b>							
<b>General expenditures</b>							
<b>Assistance to project applications</b>		239,084	1,009,463	1,171,254	1,734,000	1,754,000	1,754,000
charcoal					500,000	500,000	500,000
black cloud					1,000,000	1,000,000	1,000,000
Governoratees(GEAPs)					2,000,000	2,000,000	2,000,000
solar/renewable energy					500,000	500,000	500,000
Awareness of bezra					500,000	1,000,000	1,000,000
<b>Total EPF administrative expenditures</b>	<b>0</b>	<b>239,084</b>	<b>1,009,463</b>	<b>1,171,254</b>	<b>6,234,000</b>	<b>6,754,000</b>	<b>6,754,000</b>
<b>Total expenditures</b>	<b>16,085,818</b>	<b>16,734,600</b>	<b>28,121,673</b>	<b>32,516,739</b>	<b>102,978,667</b>	<b>90,338,666</b>	<b>77,672,000</b>
<b>Surplus/deficit - Transferred to reserve</b>	<b>151,128</b>	<b>30,525,041</b>	<b>21,933,726</b>	<b>47,541,219</b>	<b>12,188,667</b>	<b>-198,666</b>	<b>21,934,500</b>

\* Up till 30/4/2007

\*\* Include 31 million LE from ESP

ACI - EMG projects

\*\*\* includes door 3 in 2003/2004 and 2004/2005